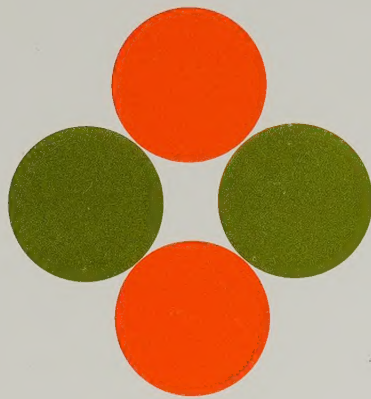


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Sobey's



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Annual Report
to the
Shareholders
1973



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27th Annual Report

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
Year Ended May 5, 1973

Head Office:

Stellarton, Nova Scotia
Established 1906
Incorporated 1946

Auditors:

H. R. Doane and Company
New Glasgow, N.S.

Transfer Agent and Registrar:

Montreal Trust Co. Montreal
Toronto — Saint John — Halifax

Bankers:

The Bank of Nova Scotia

Directors

Merritt G. Crawford
William G. Lumsden
Arthur R. Lundrigan
J. Skiffington Murchie
Henry B. Rhude
David F. Sobey
Donald R. Sobey
Frank H. Sobey
Harold M. Sobey
William M. Sobey
Chas. E. Stanfield
Arthur Steele

Officers

Frank H. Sobey
Chairman of the Board
William M. Sobey
President
David F. Sobey
Exec. Vice President
J. Skiffington Murchie
Vice President
~~Harold M. Sobey~~
~~Vice President~~
Merritt G. Crawford
Secretary-Treasurer

Report of the Directors to the Shareholders

Sales and Earnings

The year herein reported was for both grocery retailers and wholesalers a difficult one with many challenges, frustrations, and escalating costs. However, your Company has reached a new high in consolidated sales of \$127,000,000, an increase of 21% over the previous year.

Earnings from operations before gain on sale of fixed assets and investments show an improvement of 12% although net earnings were \$742,000 or 85¢ per common share compared to last years restated earnings per common share of 85¢ (see note2).

Dividends of 40¢ per share were paid to Common Shareholders during the year plus the preferred dividend of 6¼% to Preference Shareholders. Working capital at the year end was \$2,099,000 and cash flow from operations was \$2,424,000 or \$3.12 per share.

T.R.A. Foods Limited

Continued expansion, enlarged area of operations and improved earnings highlighted the Company's operations this past year.

Lumsden Brothers Limited

The addition to warehouse facilities in Burlington, Ontario reported last year has been completed and this new computerized warehouse is operating efficiently. Sales and earnings continue to show improvement.

Atlantic Shopping Centres Limited

Atlantic Shopping Centres Limited under the Presidency of Mr. M. G. Crawford continues to play a significant role in the Company's operations.

During the year, the Company acquired the property known as the CN Terminal Buildings in Moncton, N.B. which comprises two office towers of 195,000 square feet, a C.N.R. station together with 14 acres of land which will be integrated with the Highfield Square Complex.

At present this Company has under construction shopping centres in Lower Sackville and Glace Bay, N.S. and are building a shopping centre in Halifax adjacent to the Simpsons Department Store to be known as Simpsons Mall which is a joint venture with Simpsons, Limited. Similar arrangements have been made with Toulon Construction Limited for a 250,000 square foot mall in Stephenville, Nfld. and with the Rocca Group for a 200,000 square foot mall in Oromocto, N.B.

The first phase of the Downsview Mall Complex at Lower Sackville, N.S. is scheduled for opening late fall 1973, and a major expansion is just nearing completion at the Sydney Shopping Centre, Sydney, N.S. which is operated by the Company.

Expansion

The Company's computerized distribution centre in Stellarton, N.S. has been completed. During the year five new stores were opened, three smaller units were closed and the construction of six new stores is presently underway, these new stores are all in regional shopping malls.

Personnel

The Company's competitive ability has been greatly enhanced by the continued development of a strong middle management team and the Company's profit sharing and pension plan continues to show outstanding growth.

In Appreciation

The loyalty and support of employees, customers and suppliers is greatly appreciated by the Company.

FRANK H. SOBEY
Chairman of the Board

WILLIAM M. SOBEY
President

Consolidated Statement of Earnings

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
Year Ended May 5, 1973

	1973	As Restated 1972
Revenue		
Sales	\$126,840,290	\$105,011,280
Rentals	2,878,829	1,448,179
	<u>129,719,119</u>	<u>106,459,459</u>
Cost of sales, selling and administrative expenses	<u>125,783,340</u>	<u>103,482,266</u>
	3,935,779	2,977,193
Depreciation	1,244,903	1,006,834
Interest on long term debt	1,140,067	748,739
Interest on current debt	<u>329,892</u>	<u>211,807</u>
	<u>2,714,862</u>	<u>1,967,380</u>
Earnings before income taxes and minority interest	<u>1,220,917</u>	<u>1,009,813</u>
Income taxes		
Current	93,826	99,064
Deferred	<u>453,393</u>	<u>290,860</u>
	<u>547,219</u>	<u>389,924</u>
	673,698	619,889
Minority interest	<u>26,282</u>	<u>42,339</u>
Earnings from operations	<u>647,416</u>	<u>577,550</u>
Gain on sale of fixed assets and investments net of deferred income taxes of \$34,406	<u>95,076</u>	<u>165,409</u>
Net earnings	<u>\$ 742,492</u>	<u>\$ 742,959</u>
Earnings per common share after provision for preference share dividends	<u>\$.85</u>	<u>\$.85</u>
Cash flow per share	<u>\$ 3.12</u>	<u>\$ 2.68</u>

ATLANTIC SHOPPING CENTRES LIMITED
STATEMENT OF REAL ESTATE EARNINGS
Year Ended May 5, 1973

Rentals	
Sobeys Stores Limited	\$ 178,621
Other	2,878,829
	<u>3,057,450</u>
Operating expenses	
Administrative	57,256
Shareable	945,544
Ground rent	114,558
Taxes	336,211
Depreciation	143,927
Interest on long term debt	787,134
	<u>2,384,630</u>
Earnings before income taxes	672,820
Income taxes — deferred	338,392
	<u>334,428</u>
Earnings from operations	334,428
Pre-opening expenses, loss on sale of equipment and other charges net of income taxes	33,613
	<u>33,613</u>
Net earnings	<u><u>\$ 300,815</u></u>

Consolidated Statement of Retained Earnings

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
Year Ended May 5, 1973

	1973	1972
Balance, beginning of year		
As previously reported	\$5,772,641	\$5,528,483
Adjustment relating to prior year (Note 2)	<u>77,965</u>	<u>33,897</u>
As restated	5,850,606	5,562,380
Net earnings	<u>742,492</u>	<u>742,959</u>
	<u>6,593,098</u>	<u>6,305,339</u>
Dividends paid		
Preference	83,327	84,489
Class "A" common	208,344	208,344
Class "B" common	101,600	101,600
Redemption of preference shares (Note 7)	44,620	60,300
Excess of cost of investments over book value on acquisition written off	<u>1,304,580</u>	<u> </u>
	<u>1,742,471</u>	<u>454,733</u>
Balance, end of year	<u><u>\$4,850,627</u></u>	<u><u>\$5,850,606</u></u>

The accompanying notes form part of this statement.

Consolidated Statement of Source & Application of Funds

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
Year Ended May 5, 1973

	1973	As Restated 1972
Source		
Operations		
Net income	\$ 742,492	\$ 742,959
Non cash charges		
Depreciation	1,244,903	1,006,834
Deferred income taxes	418,987	290,860
Minority interest	17,732	33,790
	<u>2,424,114</u>	<u>2,074,443</u>
Decrease (increase) in mortgages, loans and notes receivable — net	37,497	(16,111)
Proceeds from long term debt		
Real estate	11,757,456	2,924,817
Merchandising	812,934	18,055
	<u>15,032,001</u>	<u>5,001,204</u>
Application		
Net additions to property		
Real estate	9,686,681	2,563,218
Merchandising	4,108,393	1,358,423
Repayment of long term debt including current maturities	1,025,645	598,828
Cost of redeeming preference shares	44,620	60,300
Dividends to shareholders	393,271	394,433
	<u>15,258,610</u>	<u>4,975,202</u>
Decrease (increase) in working capital	226,609	(26,002)
Working capital, beginning of year	<u>2,325,738</u>	<u>2,299,736</u>
Working capital, end of year	<u>\$ 2,099,129</u>	<u>\$2,325,738</u>

Consolidated Balance Sheet

ASSETS

	1973	As Restated 1972
Current		
Cash	\$ 2,632,244	\$ 2,259,243
Marketable securities, at cost which approximates market value	2,027,189	1,506,968
Receivables		
Trade	2,147,654	1,318,601
Loans (Note 3)	1,867,018	2,007,533
Inventories, at cost	9,079,879	6,765,447
Prepaid expenses	160,125	119,382
	<u>17,914,109</u>	<u>13,977,174</u>
Mortgages, loans and notes receivable	<u>315,692</u>	<u>353,189</u>
Excess of cost of investments over book value on acquisition		<u>1,334,580</u>
Real estate assets (Atlantic) (Note 4)		
Property, at cost		
Land and interest in land leases	1,453,688	1,086,110
Buildings and equipment	21,034,102	12,158,372
	<u>22,487,790</u>	<u>13,244,482</u>
Accumulated depreciation	<u>562,362</u>	<u>415,937</u>
	<u>21,925,428</u>	<u>12,828,545</u>
Other assets, including receivables and prepaid expenses	<u>742,427</u>	<u>296,556</u>
	<u>22,667,855</u>	<u>13,125,101</u>
Merchandising property, at cost		
Land	2,522,906	1,664,663
Buildings and parking facilities	4,346,541	3,604,045
Equipment	8,908,362	7,343,643
Leasehold improvements	1,384,304	1,015,281
	<u>17,162,113</u>	<u>13,627,632</u>
Accumulated depreciation	<u>5,122,737</u>	<u>4,595,673</u>
	<u>12,039,376</u>	<u>9,031,959</u>
	<u>\$52,937,032</u>	<u>\$37,822,003</u>

The accompanying notes form part of this statement.

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
Year Ended May 5, 1973

LIABILITIES

	1973	As Restated 1972
Current		
Bank indebtedness (Note 5)	\$ 2,734,707	\$ 1,444,887
Banker's acceptance	1,500,000	1,500,000
Other loans	465,000	
Payables and accruals	10,727,317	8,213,756
Long term debt payable within one year	377,381	448,578
Income taxes payable	10,575	44,215
	<u>15,814,980</u>	<u>11,651,436</u>
Long term debt (Note 6)		
Real estate (Atlantic)	17,082,052	5,408,847
Merchandising	6,872,015	7,000,475
	<u>23,954,067</u>	<u>12,409,322</u>
Deferred income taxes	<u>4,087,576</u>	<u>3,668,589</u>
Minority interest	<u>302,732</u>	<u>315,000</u>

SHAREHOLDERS' EQUITY

Capital stock (Note 7)	3,738,030	3,782,650
Capital redemption reserve fund	189,020	144,400
Retained earnings	<u>4,850,627</u>	<u>5,850,606</u>
	<u>8,777,677</u>	<u>9,777,656</u>
	<u>\$52,937,032</u>	<u>\$37,822,003</u>

Signed on behalf of the Board

FRANK H. SOBEY
Director

WILLIAM M. SOBEY
Director

Notes to Consolidated Financial Statements

1. Principles of consolidation

The financial statements include the accounts of all subsidiary companies and have been consolidated following purchase accounting principles. These companies are:

Wholly Owned

Atlantic Shopping Centres Limited
Food City Limited
Gasco Limited
Riteway Stores Limited
T.R.A. Foods Limited
T.R.A. Limited
T.R.A. Liverpool Limited

Controlled

Lumsden Brothers Limited – 80%
Joy Stores Limited – 70%

Segmented information is presented for Atlantic Shopping Centres Limited, a wholly owned subsidiary company engaged in shopping centre development.

2. Changes in accounting policies

The changes in accounting policies set out below have been applied retroactively and the 1972 comparative figures restated. These changes have the effect of increasing retained earnings at May 6, 1972 in the amount of \$77,965, represented by an increase in the 1972 comparative figure for consolidated earnings of \$44,068 and an increase in the retained earnings at May 8, 1971 of \$33,897.

Effective May 7, 1972 the accounting policies relating to the real estate operations were changed to conform with practices common in the real estate industry, as follows:

- a) The method of depreciating real estate properties was changed from the straight line basis to the sinking fund basis.
- b) The practice of charging real estate development expenses to income as incurred was changed to capitalizing such items as part of the cost of the properties.

The net effect of these changes is an increase in consolidated earnings of \$131,932 for the year ended May 5, 1973.

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
May 5, 1973

3. Short term loans

The company advances cash from time to time on a demand note basis at current bank rates of interest to Sobey Leased Properties Limited and other companies. It also advances funds without interest to these companies for their use in acquiring, constructing and leasing shopping centre properties for and on behalf of the company.

4. Real estate

On December 31, 1971 the company sold its Avalon Mall Shopping Centre in St. John's, Newfoundland and its Highfield Square Shopping Centre in Moncton, New Brunswick to its wholly-owned subsidiary, Atlantic Shopping Centres Limited. A gain of \$1,660,869 realized on the sale of leasehold interests forming part of these properties has been eliminated from retained earnings and is not reflected in the cost of the assets.

5. Bank loans

The bank loans are secured by an assignment of receivables and marketable securities.

6. Long term debt

	1973	1972
Real estate (Atlantic)		
Term financing		
9% second mortgage	\$1,050,000	
7% note payable	119,605	
Construction demand loans and advances (prime rate plus 1¼% to 2%)	5,214,014	\$5,145,263
	<u>6,383,619</u>	<u>5,145,263</u>
Permanent financing		
9% first mortgage loan to October 1, 1987	3,724,000	
9% first mortgage loan to July 30, 1997	2,500,000	
9½% first mortgage loan to February 15, 1977	3,420,635	
9¾% first mortgage loan to April 15, 1976	240,841	
	<u>9,885,476</u>	
Other liabilities including payables and accruals	812,957	263,584
	<u>\$17,082,052</u>	<u>\$5,408,847</u>

Notes to Consolidated Financial Statements

6. Long term debt (Cont'd)

Because of the nature of the real estate operations, the current portion of long term debt payable within one year has not been included in current liabilities. This portion will be financed in the same period from rental income under lease agreements which have not been included in receivables.

Debt retirement payments in each of the next five years are:

	Term	Permanent
1974	\$ 124,000	\$ 296,625
1975	164,000	300,854
1976	439,000	305,796
1977	4,404,000	310,896
1978	23,605	316,692

Merchandising			1973	1972
Sinking fund debentures				
Series	Maturity			
C	4¾%	September 1, 1975	\$ 245,000	\$ 260,000
D	6%	May 1, 1977	390,000	412,500
E	6%	March 1, 1981	640,000	670,000
F	6%	April 1, 1984	730,000	760,000
G	5¾%	April 15, 1985	380,000	395,000
H	6%	November 1, 1985	790,000	820,000
I	7¼%	June 15, 1987	850,000	880,000
J	8½%	March 1, 1989	880,000	910,000
			4,905,000	5,107,500

Loans				
9¾% loan, maturing in equal annual installments to 1975			500,000	750,000
9¼% term loan 1996			960,000	960,000
Bank loan			700,000	400,000
Mortgages, maturing 1973 to 1989 with interest rates at 6 — 10½%			383,396	376,553
			7,448,396	7,594,053
Current maturities (including bonds held for sinking fund purposes)			576,381	593,578
			\$6,872,015	\$7,000,475

Long term debt retirement payments for the next five years are: 1974-\$576,381; 1975-\$536,500; 1976-\$486,500; 1977-\$581,500; 1978-\$249,000.

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
May 5, 1973

7. Capital stock

	1973	1972
Authorized		
250,000 6¼% cumulative redeemable preference shares of \$20 par value each, issuable in series		
750,000 Class "A" common shares without nominal or par value		
500,000 Class "B" common shares without nominal or par value		
Issued and outstanding		
65,549 (1972 — 67,780) preference shares, 1966 series	\$1,310,980	\$1,355,600
520,860 Class "A" common shares	1,739,850	1,739,850
254,000 Class "B" common shares	687,200	687,200
	<u>\$3,738,030</u>	<u>\$3,782,650</u>

The 1966 series preference shares may be called at par at any time. The company is required to provide a \$30,000 fund each year, commencing October 15, 1971 from which shares may be purchased for redemption. This fund reverts to the company if it is not used by September 30 of the following year. During the year, 2,231 shares were purchased and cancelled, reducing the preference capital to \$1,310,980. Accordingly, \$44,620 has been transferred from retained earnings to the capital redemption reserve fund.

The company has reserved a maximum of 20,000 unissued Class "A" common shares to satisfy the conditions relating to share purchase warrants issued with the sinking fund debentures, Series J. These share purchase warrants entitle the bearers thereof to purchase 20,000 Class "A" common shares at the subscription price of \$12 per share up to 4:00 p.m. Atlantic Standard Time on March 1, 1979. If these warrants were exercised, earnings per share would be diluted by \$.02.

8. Long term leases

During the year the company paid \$1,989,271 in rentals under lease agreements extending beyond five years from the balance sheet date. The company also received \$3,057,450 rental income as lessor under long term leases.

Notes to Consolidated Financial Statements

9. Contingent liabilities

Guarantees

The company has undertaken by separate agreements to provide cash to meet any obligations which Canadian Shopping Centres Limited or Sobey Leased Properties Limited are unable or fail to meet, with respect to their debenture debt, until all of their debentures have been paid in full in accordance with their terms. Any deficiency payment made by the company will be in consideration of the issue to it of an appropriate number of fully paid and non-assessable 6% redeemable, non-voting preference shares of the applicable company. At balance sheet date the aggregate outstanding principal amounts of these debentures were:

Canadian Shopping Centres Limited	Series A	\$ 300,000
Canadian Shopping Centres Limited	Series B	500,000
Sobey Leased Properties Limited	Series A	637,500
Sobey Leased Properties Limited	Series B	1,137,000

The company has guaranteed bank loans with an outstanding balance of \$1,669,000 to Foord Construction Limited, for the construction of buildings on behalf of the company and its subsidiaries and bank loans to a maximum of \$250,000 for Sobey Leased Properties Limited.

Income taxes

The company and certain subsidiaries have received income tax re-assessments for the years 1968 to 1971 aggregating approximately \$446,000, including interest to date of issue. It is the opinion of the company's solicitor that these re-assessments should be appealed and that no provision should be made in the financial statements for any of these amounts.

Outstanding contract

A subsidiary company has contracted for the construction of a shopping centre in the amount of \$3,000,000. At May 5, 1973 costs of this project amounted to \$503,342 and are included in the cost of buildings.

10. Directors and officers remuneration

Total remuneration to officers and directors for the year was \$254,872.

11. Comparative figures

The figures for the previous year have been reclassified where necessary to conform with the current year's segmented presentation and to reflect the retroactive changes in accounting policies.

Auditors' Report

To the Shareholders of
Sobeys Stores Limited

We have examined the consolidated balance sheet of Sobeys Stores Limited as at May 5, 1973 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Sobeys Stores Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who examined the financial statements of the subsidiary company, Lumsden Brothers Limited.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at May 5, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in accounting policies outlined in Note 2 to the financial statements, with which we concur on a basis consistent with that of the preceding year.

H. R. Doane and Company
Chartered Accountants

New Glasgow, Nova Scotia
June 30, 1973

Review of Financial Growth Since Incorporation

SOBEYS STORES LIMITED AND SUBSIDIARY COMPANIES

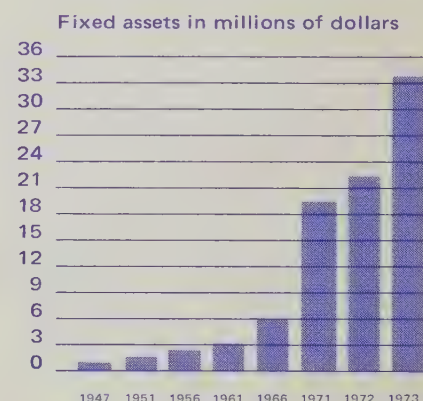
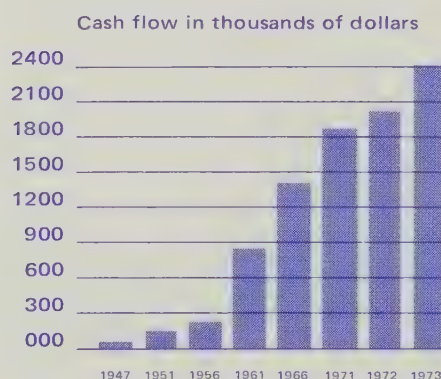
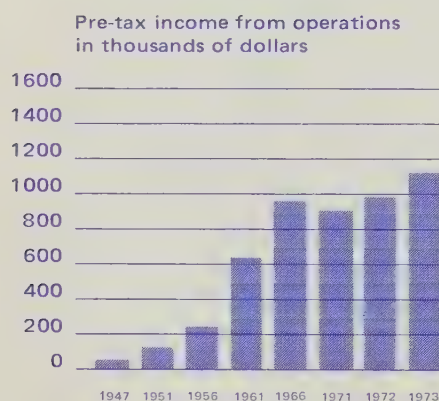
Operations	1973	1972	1971	1966	1961	1956	1951	1947
Income from operations	\$ 1,194,635	\$ 967,474	\$ 882,693	\$ 930,809	\$ 602,353	\$ 236,012	\$102,394	\$ 22,538
Depreciation	1,244,903	1,006,834	937,992	527,106	211,095	99,472	37,846	10,186
Interest on long term debt	1,140,067	748,739	805,987	248,133	101,181	60,963	7,808	3,134
Cash flow	2,424,114	2,074,443	1,826,278	1,336,179	882,119	250,178	96,617	29,455
Income taxes	547,219	389,924	371,031	431,455	279,591	108,504	43,959	8,988
Gain on sale of fixed assets and investments	95,076	165,409	165,841	214,961	6,652	6,639	335	397
Net income after provision for income taxes	742,492	742,959	677,503	664,315	329,415	134,146	58,771	18,668

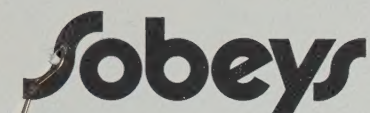
Shareholders information

Cash flow per share	3.12	2.68	2.42	1.90	1.29	.50	.19	.06
Equity per share	9.64	10.87	10.66	6.76	4.01	1.49	.51	.19
Preferred share dividend	6.25%	6.25%	6.25%	—	—	5.00%	5.00%	—
Common share earnings	.85	.85	.78	.97	.48	.26	.12	.04
Common share dividends	.40	.40	.39	.23	.20	—	—	—
Average number of common shares outstanding	<u>774,860</u>	<u>774,860</u>	753,860	346,715	340,000	10,000	10,000	10,000

Balance sheet

Working capital	2,099,129	2,325,738	2,299,736	1,747,417	1,159,523	339,599	151,011	122,886
Fixed assets	33,964,804	21,860,504	19,160,180	7,870,999	3,621,904	1,575,620	254,399	109,912
Long term debt	23,954,067	12,409,322	10,050,998	4,416,000	2,507,008	1,227,875	158,881	150,000
Net tangible assets per \$1,000 debenture	3,800	3,533	3,300	2,179	2,154	1,591	3,211	1,596





AR21

Interim Report

SIX MONTHS ENDED
NOVEMBER 3, 1973

TO THE SHAREHOLDERS

Consolidated sales of your Company for the six months ended November 3, 1973, increased to \$74,086,384 or 25% over the same period last year — the dominant retail division reflecting higher percentage increase in the Company's effort to obtain a larger share of the market in the Atlantic Provinces even at the expense of earnings over the short term.

Net consolidated earnings after tax and preferred share dividends were \$186,918 or 24c per share against last years 30c per share. These lower earnings reflect the continuing rise in operating costs, the unrelenting pressure on retail mark-ups and increased expense relating to our total write-off policy on the opening of new stores. These stores, all in modern shopping malls, were opened in Yarmouth and Windsor, N.S., and Moncton, N.B., and a number of smaller stores were closed.

Lumsden Brothers Limited in Burlington, Ont., continues to develop satisfactorily in both sales and earnings.

TRA Foods Limited in Nova Scotia continues their expansion in the wholesale and associated store program in the province.

The development and expansion of Real Estate and the growth of the Company's Shopping Centre Program through it's subsidiary, Atlantic Shopping Centres Limited, continues to provide stability to the Company's earnings.

Cash flow for the half year was \$1.63 per share against last years \$1.11 per share and working capital as of November 3, 1973 stood at \$1,564,780.

WILLIAM M. SOBEY
PRESIDENT

Stellarton, N.S.

December 18, 1973

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF EARNINGS
(unaudited)
SIX MONTHS ENDED NOVEMBER 3, 1973

SOBEYS STORES LIMITED
AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF SOURCE
AND APPLICATION OF FUNDS
(unaudited)
SIX MONTHS ENDED NOVEMBER 3, 1973

	November 3, 1973	Restated November 4, 1972
Income		
Sales	\$74,086,384	\$59,392,252
Rentals	2,171,647	1,018,855
	<u>76,258,031</u>	<u>60,411,107</u>
Cost of sales, selling and administrative expenses	73,668,235	58,783,422
	<u>2,589,796</u>	<u>1,627,685</u>
Depreciation	768,721	524,318
Interest on long term debt	1,070,857	450,079
Interest on current debt	256,544	128,480
	<u>2,096,122</u>	<u>1,102,877</u>
Earnings before income taxes and minority interest	493,674	524,808
Income taxes	292,279	241,900
	<u>201,395</u>	<u>282,908</u>
Minority interest	55,186	18,159
	<u>146,209</u>	<u>264,749</u>
Earnings from operations	146,209	264,749
Gain on sale of fixed assets and investments	81,677	13,033
	<u>227,886</u>	<u>277,782</u>
Net earnings	227,886	277,782
Preferred share dividends	40,968	42,362
	<u>186,918</u>	<u>235,420</u>
Net earnings after providing for preferred share dividends	\$ 186,918	\$ 235,420
Earnings per common share	\$.24	\$.30
Cash flow	\$ 1,259,180	\$ 857,359
Cash flow per share	\$ 1.63	\$ 1.11

Source		
Operations		
Net income	\$ 227,886	\$ 277,782
Non cash charges		
Depreciation	768,721	524,318
Provision for deferred income taxes	215,937	45,650
Minority interest	46,636	9,609
	<u>1,259,180</u>	<u>857,359</u>
Reduction in mortgages and loans receivable	115,558	98,116
Proceeds of long term debt		
Real estate	3,848,000	5,284,368
Merchandising	24,818	398,579
	<u>5,247,556</u>	<u>6,638,422</u>
Application		
Net additions to property		
Real estate	2,358,666	3,427,101
Merchandising	1,239,442	2,508,914
Payment of long term debt including current maturities	1,441,476	246,769
Dividends to shareholders	195,940	197,335
Purchase of subsidiaries net of working capital	163,426	
Payment of income tax re-assessment	382,955	
	<u>5,781,905</u>	<u>6,380,119</u>
Increase (decrease) in working capital	(534,349)	258,303
Working capital, beginning of period	2,099,129	2,299,736
Working capital, end of period	<u>\$1,564,780</u>	<u>\$2,558,039</u>

Notes:

- The figures for the previous year have been reclassified where necessary to conform with the current year's presentation and to reflect the retroactive changes in accounting policies made during the year ended May 5, 1973. These changes relate to Atlantic Shopping Centres Limited and are in accordance with the recommendations of the Canadian Institute of Public Real Estate Companies.
- Subsequent to November 3, 1973, Atlantic Shopping Centres Limited has agreed to issue 9 5/8% first mortgage bonds, series A, in the amount of \$3,700,000 which will increase working capital.

DIRECTORS

MERRITT G. CRAWFORD
WILLIAM G. LUMSDEN
ARTHUR R. LUNDRIGAN
J. SKIFFINGTON MURCHIE

HENRY B. RHUDE
DAVID F. SOBEY
DONALD R. SOBEY
FRANK H. SOBEY

HAROLD M. SOBEY
WILLIAM M. SOBEY
CHAS. E. STANFIELD
ARTHUR STEELE

OFFICERS

FRANK H. SOBEY
Chairman of the Board
WILLIAM M. SOBEY
President

DAVID F. SOBEY
Exec. Vice President
J. SKIFFINGTON MURCHIE
Vice President
HAROLD M. SOBEY
Vice President

MERRITT G. CRAWFORD
Treasurer
J. ROBERT MACMILLAN
Secretary